Proposed Steel Mill Lining Up Customers

Chuck Bartels, AP

Financing for a $1.1 billion steel mill planned for northeast Arkansas expects to be wrapped up by the end of the year, but until then backers will be lining up customers and suppliers. The Big River Steel plant, which is projected to employ more than 500 people, recently was approved for an air quality permit from the Arkansas Department of Environmental Quality, pending resolution of any objections that are due before mid-October. The air quality permit is a major hurdle in the path from dream to reality.

Arkansas Economic Development Director Grant Tennille said financing couldn't become final until after the permit was issued, and so far, there haven't been any surprises in the process, despite questions that were raised by competitors to the project. Nucor Steel in Blytheville objected to Big River coming in as a Mississippi County neighbor. Tennille said he doesn't see the opposition holding up the mill.

Once the mill is permitted and has more than $500 million in loans in place, construction is expected to take 18 months. A group led by John Correnti, a former Nucor executive who has developed other steel mills, is bringing the deal together. About 2,000 construction workers will be needed to build the plant. Tennille said some of those workers may stay on and work at the mill, where jobs are projected to have average salaries of more than $75,000 per year. "They have had a lot of luck hiring from people from among the local construction crews," Tennille said.

Meetings are scheduled in October for minority-owned companies to provide information on becoming suppliers to the plant during construction and after it starts churning out finished product. One meeting is set for northeast Arkansas and the other in Little Rock. Big River is to bring jobs to a region starved for high-paying employers. The average household income in Osceola is $32,528, compared to $40,149 for the state as a whole, according to U.S. Census Bureau figures. Nearly one-third of residents in the city live below the federal poverty level, according to census data.

Tennille said he's been in talks with companies that would either supply the mill or use products that Big River produces. He said he doesn't expect any announcements before the end of the year but said some companies are looking to locate on the plant site and others nearby. When the project was announced in

January, it came with the condition of state funding. The Legislature went on to approve $125 million in taxpayer financing, with provisions to recover the money if the plant doesn't start production.

Consultants who analyzed the business plan for the plant say there are risks associated with the project, including the possibility that demand won't meet expectations. Lower output would affect profits and the return to investors. The Arkansas Teacher Retirement System is among entities providing financial backing, but the lion's share of financing is to come from Germany, Tennille said. A German company, SMS, is to build the plant and Tennille said during the week that a team was in Germany having talks about financing.

Tennille said Big River is working to enter into contracts for important pieces of the mill, such as large cranes that cost tens of millions of dollars. "Everything appears to be on track to close right around the end of the year," Tennille said.

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